

**REPORT OF THE AUDIT OF THE  
FORMER SPENCER COUNTY  
CLERK**

**For The Period  
January 1, 2011 Through November 30, 2011**



**ADAM H. EDELEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE FORMER SPENCER COUNTY CLERK**

**For The Period  
January 1, 2011 Through November 30, 2011**

The Auditor of Public Accounts has completed the former Spencer County Clerk's audit for the period January 1, 2011 through November 30, 2011. Based upon the audit work performed, a qualified opinion was issued on the financial statement.

#### **Financial Condition:**

Excess fees increased by \$23,690 from the prior year, resulting in excess fees of \$42,656 as of November 30, 2011. Revenues increased by \$82,265 from the prior year and expenditures increased by \$67,797.

#### **Lease Obligations:**

The Spencer County Clerk's office was committed to the following lease agreements as of November 30, 2011:

Item	Monthly	Term Of	Ending	Principal
Purchased	Payment	Agreement	Date	Balance
				November 30,
				2011
Hardware	\$ 1,692	60 Months	May 22, 2016	\$ 89,676
Software	2,420	60 Months	May 22, 2016	128,260
	<u>\$ 4,112</u>			<u>\$ 217,936</u>

#### **Report Comments:**

- 2011-01 The Former County Clerk Should Have Expended Public Funds For Allowable Purposes Only
- 2011-02 The Former County Clerk's Budget Should Have Been Approved By Fiscal Court
- 2011-03 The Former County Clerk Should Have Deposited All Receipts Into The Fee Bank Account
- 2011-04 The Former County Clerk Should Not Cash Personal Checks And Should Have Turned All Uncollected Non-Sufficient Fund Checks Over To The County Attorney
- 2011-05 The Former County Clerk Should Eliminate The \$8,399 Deficit In The 2011 Fee Account
- 2011-06 The Former County Clerk Should Eliminate The \$35,962 Deficit In The 2010 Fee Account
- 2011-07 The Former County Clerk Should Have Reconciled W-2s With Amounts Paid To Deputy Clerks
- 2011-08 The Former County Clerk Should Have Revised The Compensation Method For Working Elections
- 2011-09 The Former County Clerk Should Have Issued 1099s and W-2s In Accordance With IRS Requirements

#### **Deposits:**

The County Clerk's deposits were insured and collateralized by bank bonds.



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**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Bill Karrer, Spencer County Judge/Executive  
The Honorable Judy Puckett, Former Spencer County Clerk  
Members of the Spencer County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the former County Clerk of Spencer County, Kentucky, for the period January 1, 2011 through November 30, 2011. This financial statement is the responsibility of the former County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as discussed below, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

We were unable to obtain supporting documentation to determine the amount of cash receipts collected during the year for notary fees and Sheriff's inspection fees, nor were we able to satisfy ourselves as to the total cash collected in notary fees and Sheriff's inspection fees by other auditing procedures.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the cash collected for notary fees and Sheriff's inspection fees, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the former County Clerk for the period January 1, 2011 through November 30, 2011, in conformity with the regulatory basis of accounting described in Note 1.



The Honorable Bill Karrer, Spencer County Judge/Executive  
The Honorable Judy Puckett, Former Spencer County Clerk  
Members of the Spencer County Fiscal Court

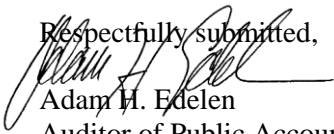
Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole. The schedule of excess of liabilities over assets is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, except for the effects of the limitation described in paragraph four above, is fairly stated in all material respects in relation to the financial statement taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated September 24, 2012 on our consideration of the former Spencer County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discuss the following report comments:

- 2011-01 The Former County Clerk Should Have Expended Public Funds For Allowable Purposes Only
- 2011-02 The Former County Clerk's Budget Should Have Been Approved By Fiscal Court
- 2011-03 The Former County Clerk Should Have Deposited All Receipts Into The Fee Bank Account
- 2011-04 The Former County Clerk Should Not Cash Personal Checks And Should Have Turned All Uncollected Non-Sufficient Fund Checks Over To The County Attorney
- 2011-05 The Former County Clerk Should Eliminate The \$8,399 Deficit In The 2011 Fee Account
- 2011-06 The Former County Clerk Should Eliminate The \$35,962 Deficit In The 2010 Fee Account
- 2011-07 The Former County Clerk Should Have Reconciled W-2s With Amounts Paid To Deputy Clerks
- 2011-08 The Former County Clerk Should Have Revised The Compensation Method For Working Elections
- 2011-09 The Former County Clerk Should Have Issued 1099s and W-2s In Accordance With IRS Requirements

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Spencer County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,  
  
Adam H. Edelen  
Auditor of Public Accounts

September 24, 2012



SPENCER COUNTY  
JUDY PUCKETT, FORMER COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Period January 1, 2011 Through November 30, 2011

Revenues

HB 537 State Revenue Supplement	\$	61,283
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State Fees For Services		5,333
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Fiscal Court		14,151
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	508,564
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Usage Tax		870,643
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Notary Fees		6,673
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Lien Release Fees		12,602
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Tangible Personal Property Tax		1,495,096
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Miscellaneous Income		5,366
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Other-

Fish and Game Licenses		5,085
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Marriage Licenses		3,479
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Deed Transfer Tax		43,380
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Delinquent Tax		388,871
		3,339,759

Fees Collected for Services:

Recordings-

Bail Bonds		88
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Chattel Mortgages and Financing Statements		37,430
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Deeds		7,769
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Fixture Filing		114
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Leases		34
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Liens & Lis Pendens		8,225
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Powers of Attorney		787
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Releases		7,134
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Real Estate Mortgages		34,509
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Wills, Estate Settlements & Accommodations		360
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Affordable Housing Trust		20,172
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Miscellaneous Recordings		3,338
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Charges for Other Services-

Candidate Filing Fees		100
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Copywork		6,356
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Postage		1,660
		128,076

The accompanying notes are an integral part of this financial statement.

SPENCER COUNTY  
 JUDY PUCKETT, FORMER COUNTY CLERK  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Period January 1, 2011 Through November 30, 2011  
 (Continued)

Revenues (Continued)

Other:

Misc Income/Refunds/Bank Credit Memos	\$	155	
Refunds/Overpayments		3,137	
Delinquent Tax Sale Deposits		<u>56,033</u>	\$ 59,325

Interest Earned			<u>1,065</u>
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Total Revenues			3,608,992
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Expenditures

Payments to State:

Motor Vehicle-			
Licenses and Transfers		353,516	
Usage Tax		844,401	
Tangible Personal Property Tax		537,497	
Licenses, Taxes, and Fees-			
Fish and Game Licenses		5,141	
Delinquent Tax		34,329	
Legal Process Tax		13,377	
Affordable Housing Trust		<u>20,172</u>	1,808,433

Payments to Fiscal Court:

Tangible Personal Property Tax		123,925	
Delinquent Tax		25,291	
Deed Transfer Tax		<u>41,157</u>	190,373

Payments to Other Districts:

Tangible Personal Property Tax		773,074	
Delinquent Tax		<u>209,601</u>	982,675

Payments to Sheriff			33,061
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Payments to County Attorney			52,748
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The accompanying notes are an integral part of this financial statement.

SPENCER COUNTY  
 JUDY PUCKETT, FORMER COUNTY CLERK  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Period January 1, 2011 Through November 30, 2011  
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay:

Personnel Services-			
Deputies' Salaries	\$	185,992	
Student Deputy Salaries		2,232	
Employee Benefits-			
Employer's Share Social Security & Retirement		57,555	
Employer's Paid Health Insurance		3,193	
Contracted Services-			
Microfilming & Indexing Records		46,464	
Tax Bill Preparation		4,623	
Emergency Equipment Repairs		9,208	
Materials and Supplies-			
Office Supplies & Equipment		15,144	
Deed, Mortgage Books, etc		12,398	
Office Repairs/Cleaning		5,025	
Other Charges-			
Dues and Memberships		1,335	
Refunds		70,074	
Miscellaneous Election Expenses		8,399	
Bank Service Charges		105	
Clerk's Insurance and Bonds		87	
Miscellaneous Clerk Expense		1,222	
Legal Fees		750	
Postage		4,878	
		<hr/>	<hr/>
		4,878	\$ 428,684
Total Expenditures			3,495,974
Less: Disallowed Expenditures			<hr/> 3,744
Total Allowable Expenditures			<hr/> 3,492,230

The accompanying notes are an integral part of this financial statement.

SPENCER COUNTY  
JUDY PUCKETT, FORMER COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
For The Period January 1, 2011 Through November 30, 2011  
(Continued)

Net Revenues	\$ 116,762
Less: Statutory Maximum	<u>70,806</u>
Excess Fees	45,956
Less: Expense Allowance	<u>3,300</u>
Excess Fees Due County for 2011	42,656
Payment to Fiscal Court - April 19, 2012	<u>14,257</u>
Balance Due Fiscal Court at Completion of Audit	<u><u>\$ 28,399</u></u>

The accompanying notes are an integral part of this financial statement.

SPENCER COUNTY  
NOTES TO FINANCIAL STATEMENT

November 30, 2011

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2011 services
- Reimbursements for 2011 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2011

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

SPENCER COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 November 30, 2011  
 (Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent for the first six months and 18.96 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

SPENCER COUNTY  
NOTES TO FINANCIAL STATEMENT  
November 30, 2011  
(Continued)

Note 3. Deposits

The former Spencer County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The former Spencer County Clerk did not have a deposit policy for custodial credit risk but rather followed the requirements of KRS 41.240(4). As of November 30, 2011, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Library and Archives Grant

The Spencer County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$7,243. No funds were expended during the year. The unexpended grant balance was \$7,243 as of November 30, 2011.

Note 5. Lease

The Spencer County Clerk's office was committed to the following lease agreements as of November 30, 2011.

Item	Monthly	Term Of	Ending	Principal
Purchased	Payment	Agreement	Date	Balance
				November 30,
				2011
Hardware	\$ 1,692	60 Months	May 22, 2016	\$ 89,676
Software	2,420	60 Months	May 22, 2016	128,260
	<u>\$ 4,112</u>			<u>\$ 217,936</u>

SPENCER COUNTY  
NOTES TO FINANCIAL STATEMENT  
November 30, 2011  
(Continued)

Note 6. Subsequent Event

The Spencer County Fiscal Court has a civil lawsuit against Judy Puckett for monies owed from the 2010 audit.



SPENCER COUNTY  
JUDY PUCKETT, FORMER COUNTY CLERK  
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS

November 30, 2011

Assets

Cash in Bank		\$	127,527
Deposits in Transit			16,970
Receivables:			
Miscellaneous	\$	419	
Due From 2010 Fee Account		20,000	20,419
			<hr/>
Total Assets			164,916

Liabilities

Paid Obligations:

Outstanding Checks	\$	8,722
Motor Vehicle Licenses		4,721
Tangible Personal Property Tax		87,483
Fish and Game Licenses		149
Legal Process Tax		1,320
Affordable Housing Trust		4,434
Delinquent Tax		3,972
Deed Transfer Tax		5,216
Payroll Withholdings		13,063
Occupational Tax		735
Miscellaneous Election Expenses		33
Refunds/Overpayments		284
Books, Maps, etc		512
Bank Service Charges		15
Excess Fees - 2011		14,257
		<hr/>

Total Paid Obligations 144,916

Unpaid Obligations:

Additional 2011 Excess Fees due to Fiscal Court	<hr/>	28,399
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Total Unpaid Obligations 

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 28,399

Total Liabilities 

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 173,315

Total Fund Deficit as of November 30, 2011 

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 \$ (8,399)

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Bill Karrer, Spencer County Judge/Executive  
The Honorable Judy Puckett, Former Spencer County Clerk  
Members of the Spencer County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the former Spencer County Clerk for the period January 1, 2011 through November 30, 2011, and have issued our report thereon dated September 24, 2012, wherein we issued a qualified opinion because the former Clerk did not deposit some receipts collected in her office. The former County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of former Spencer County Clerk's office is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the former County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the former County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the former County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations to be material weaknesses: 2011-03, 2011-04, 2011-05, and 2011-06.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies: 2011-07, 2011-08, and 2011-09.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the former Spencer County Clerk's financial statement for the period January 1, 2011 through November 30, 2011, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items 2011-01 and 2011-02.

This report is intended solely for the information and use of management, the Spencer County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', written in a cursive style.

Adam H. Edelen  
Auditor of Public Accounts

September 24, 2012

## COMMENTS AND RECOMMENDATIONS





SPENCER COUNTY  
JUDY PUCKETT, FORMER COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS

For The Period January 1, 2011 Through November 30, 2011

STATE LAWS AND REGULATIONS:

2011-01 The Former County Clerk Should Have Expended Public Funds For Allowable Purposes Only

During the test of expenditures and payroll, auditors noted \$3,744 in expenditures that are not considered allowable expenses of a County Clerk's office. These expenditures were not necessary and/or were not supported by adequate documentation. In accordance with Funk v. Milliken, 317 S.W.2d 499 (KY 1958), expenses made through the fee account must be necessary for the operation of the office, reasonable in amount, beneficial to the public, not predominantly personal in nature, and supported by adequate documentation. The following schedule provides a breakdown of the expenditures made from the former Clerk's fee account that are not allowable under Funk v. Milliken:

<u>Reason</u>	<u>Amount</u>	<u>Explanation</u>
Insufficient Documentation:		
	\$ 750	Legal Fees Paid With No Supporting Documentation
	540	Checks Written To Deputies For Working Elections With No Supporting Documentation
	900	Checks Written For Delivering Election Equipment With No Supporting Documentation
	50	Student Deputy Salary Check With No Supporting Documentation
	512	Newspaper Paid With No Supporting Documentation
	67	Meal Reimbursement Without Detailed Receipt
	<u>2,819</u>	Total Disallowed Due To Insufficient Documentation
Unnecessary:		
	895	Finance Charges On Postage Machine
	<u>30</u>	Food On Election Day
	<u>925</u>	Total Disallowed Unnecessary Expenditures
	<u>\$ 3,744</u>	Total Disallowed Expenditures

The former County Clerk should have ensured that proper documentation was maintained to support all expenditures and ensured that all expenditures were necessary for the operation of the office. The \$3,744 of disallowed expenditures noted is included in the \$8,399 that the former Clerk needs to submit to the 2011 fee account as discussed in comment 2011-05.

*Former County Clerk's Response: No Response.*

SPENCER COUNTY  
JUDY PUCKETT, FORMER COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS  
For The Period January 1, 2011 Through November 30, 2011  
(Continued)

STATE LAWS AND REGULATIONS (CONTINUED):

2011-02 The Former County Clerk's Budget Should Have Been Approved By Fiscal Court

Fiscal Court approved a budget for the Clerk's office from January to March 7, 2011; however, a budget was not approved for the rest of the calendar year. Also, a fee pooling ordinance was approved for the former County Clerk and the former County Clerk did not comply with this ordinance. The state local finance officer requires the fiscal court to approve a calendar year budget for each fee office as a component of the county's budget preparations process by January 15<sup>th</sup> of each year. KRS 68.210 states that the administration of the county uniform budget system shall be under the supervision of the state local finance officer who may inspect and shall supervise the administration of accounts and financial operations and shall prescribe a system of uniform accounts for all counties and county officials. The former Clerk should have submitted a budget to fiscal court for approval and complied with fee-pooling ordinance.

*Former County Clerk's Response: No Response.*

INTERNAL CONTROL - MATERIAL WEAKNESSES:

2011-03 The Former County Clerk Should Have Deposited All Receipts Into The Fee Bank Account

During the prior year receipts test, we noted certain fees were manually added to the certificate of registrations and were not recorded in the receipts ledger nor deposited. The handwritten fees consisted of additional charges that were added to the vehicle registration cost such as notary fees, insurance fax fees, and Sheriff inspection fees. Per office staff, these unrecorded fees were collected from the customers and then placed in an envelope from which the office staff was permitted to use cash to purchase their lunches.

During the current year audit, we noted the same handwritten fees of additional charges were added to the vehicle registration cost such as notary fees and Sheriff inspection fees, until May 2011. Auditors tested one day a month for calendar year 2011 and found a total of \$143 in handwritten notary fees and Sheriff inspection fees that were not recorded in the former Clerk's receipts ledger nor deposited into the bank account. These handwritten fees were shown as a cash credit on the customers' receipt. The total cash credit for calendar year 2011 was \$4,655. Due to the deputy clerks not recording these fees in the former Clerk's system and not consistently writing the fees on the certificate of registration, not all fees are shown as a cash credit on the customer's receipt. Therefore, the total fees not recorded or deposited for calendar year 2011 could be more than the cash credit reported.

As noted in the prior year audit, the total cash credit for calendar year 2010 was \$23,573 and the total cash credit for calendar year 2009 was \$26,030.

SPENCER COUNTY  
JUDY PUCKETT, FORMER COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS  
For The Period January 1, 2011 Through November 30, 2011  
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES (CONTINUED):

2011-03 The Former County Clerk Should Have Deposited All Receipts Into The Fee Bank Account (Continued)

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Management's lack of controls over the receipt process led to the failure to record and deposit all receipts which understates the receipts ledger and provides less excess fees to be turned over to fiscal court. Per KRS 64.012 (31), the County Clerk shall receive \$2 for notarizing any signature, per signature. Under the guidance of KRS 68.210, the Department of Local Government has established requirements for all local government officials handling public funds. These requirements include "daily deposits intact into a federally insured banking institution". The former County Clerk should have recorded and deposited all funds received intact daily.

*Former County Clerk's Response: No Response.*

2011-04 The Former County Clerk Should Not Cash Personal Checks And Should Have Turned All Uncollected Non-Sufficient Fund Checks Over To The County Attorney

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During receipts testing, auditor noted checks cashed in the former Clerk's office totaling \$2,154 during calendar year 2011. The prior year audit noted checks cashed in the former Clerk's office totaled \$11,461 in calendar 2010 and \$6,687 in calendar year 2009. In calendar year 2011, all personal checks cashed for former County Clerk's family members that were deemed non-sufficient funds were re-deposited.

As noted in the prior year audit, during calendar year 2010, one personal check cashed for a former County Clerk's family member in the amount of \$150 was deemed non-sufficient funds on the bank statement. This check was not re-deposited or turned over to the County Attorney for collection. Upon further investigation into prior years, auditors found personal checks from the former County Clerk that were cashed in the office, returned for non-sufficient funds, and were never re-deposited or turned over to the County Attorney. The total of the former Clerk's personal non-sufficient funds checks cashed in 2008 totaled \$1,300 and \$1,425 in 2007.

The lack of effective internal controls over receipts led to the commingling of public and private funds which is prohibited by statute. Per KRS 64.850, "It shall be unlawful for any county official to deposit public funds with individual or private funds in any bank or other depository or for any such official to withdraw public funds for any purpose other than that for which they were received and deposited."

The former County Clerk's office should not have cashed personal checks. Also, all non-sufficient fund checks should have been re-deposited or turned over to the County Attorney for collection.

*Former County Clerk's Response: No Response.*

SPENCER COUNTY  
JUDY PUCKETT, FORMER COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS  
For The Period January 1, 2011 Through November 30, 2011  
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES (CONTINUED):

2011-05 The Former County Clerk Should Eliminate The \$8,399 Deficit In The 2011 Fee Account

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The former County Clerk is responsible for a deficit of \$8,399 in the official fee account as of November 30, 2011. The deficit is due to \$4,655 of unrecorded and undeposited receipts and \$3,744 in disallowed expenditures. During calendar year 2010, the former Clerk also improperly transferred \$20,000 from this 2011 fee account to the 2010 fee account to cover a shortage. The 2010 audit stated this should be put back in the 2011 account (See Comment 2011-06). This has not been done. The former Clerk needs to clear up the deficit in the 2010 account and transfer the \$20,000 back to this account. The former Clerk shall then deposit \$8,399 in personal funds to this account to cover the deficit. Once this is done, \$28,399 is due to the Spencer County Fiscal Court as additional excess fees for calendar year 2011. We recommend the former County Clerk make all necessary transactions in order to eliminate the deficit and pay the fiscal court the \$28,399 in excess fees due.

*Former County Clerk's Response: No Response.*

2011-06 The Former County Clerk Should Eliminate The \$35,962 Deficit In The 2010 Fee Account

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The former County Clerk is responsible for a deficit of \$35,962 in the official fee account as of December 31, 2010. The deficit is due to \$23,573 in unrecorded and undeposited receipts and \$13,048 in disallowed expenditures. The former Clerk owes \$35,962 of personal funds and needs to collect \$508 from the County Attorney for non-sufficient fund checks and \$150 from the family member that cashed a check that was returned as non-sufficient, but not turned over to the County Attorney for collection. Once funds are collected, \$16,621 is due to Spencer County Fiscal Court as additional excess fees and \$20,000 is due to the 2011 fee account. KRS 64.820 directs the fiscal court to collect any amount due from the Clerk as determined by the audit.

In addition, the former County Clerk should also pay with personal funds the \$26,030 that was not deposited in 2009 and turn that amount over to the Fiscal Court as additional excess fees due for 2009.

*Former County Clerk's Response: No Response.*

SPENCER COUNTY  
JUDY PUCKETT, FORMER COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS  
For The Period January 1, 2011 Through November 30, 2011  
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:

2011-07 The Former County Clerk Should Have Reconciled W-2s With Amounts Paid To Deputy Clerks

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At the beginning of each calendar year, the former County Clerk would give the County Treasurer a handwritten sheet showing each deputy's salary and withholding amounts. The County Treasurer uses this information to enter into the county's payroll software. At year-end, the County Treasurer prepares W-2s. The former County Clerk did not reconcile the amount paid to deputies as recorded on the former County Clerk's disbursements ledger with the County Treasurer's payroll records to ensure that W-2s reconcile to the disbursements ledger. When the auditors prepared a reconciliation of the W-2s to the disbursements ledger, an immaterial difference was noted. Good internal controls dictate that accounting records be reconciled. The former County Clerk should have reconciled her records with the County Treasurer's records to ensure that employee wages were accurately recorded and reported.

*Former County Clerk's Response: No Response.*

2011-08 The Former County Clerk Should Have Revised The Compensation Method For Working Elections

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Although deputies were paid as part of their normal salary to work the 2011 primary election, we noted checks written to deputies in addition to their normal salary for working elections and attending election school. Also, we noted checks were written to three county employees to help deliver election equipment and supplies. Further inquiry noted the following problems with the checks:

- The compensation received by the deputies and county employees was not reported on their annual earnings or W-2 forms
- Deputies and county employees may or may not have been properly compensated for additional hours worked.

By not including the compensation on employees' annual earnings records or W-2 forms, each related employees' earnings for the year was understated by the corresponding amount. Also, by compensating employees based on the job performed instead of actual hours worked, the former County Clerk was in jeopardy of not adequately compensating employees for any hours worked in excess of 40 hours, as required by KRS 337.285.

All compensation received by deputies and county employees for elections should have been accounted for through the payroll system and included on their annual earnings records and W-2s. Additional hours worked during elections causing employees to exceed 40 hours worked for the week, should require employees to be compensated at a rate of one and one-half times their wage rate.

*Former County Clerk's Response: No Response.*

SPENCER COUNTY  
JUDY PUCKETT, FORMER COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS  
For The Period January 1, 2011 Through November 30, 2011  
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES (CONTINUED):

2011-09 The Former County Clerk Should Have Issued 1099s and W-2s In Accordance With IRS  
Requirements

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During calendar year 2011, no 1099s were prepared for cleaning services performed at the former County Clerk's office. We also noted two employees that received payments during the year that did not receive a W-2. By not issuing these individuals' 1099s or W-2s, there is an increased possibility that their income was not reported to the IRS. Per IRS requirements, 1099s should be issued for all individuals to whom you have paid at least \$600 in services and W-2s should be issued to all employees regardless of the amount received. KRS 141.335 requires the Clerk to provide an annual withholding statement to each employee. The former County Clerk should have ensured that all individuals employed or contracted with during the year received a W-2 or 1099.

*Former County Clerk's Response: No Response.*

